



## CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

October 3, 2002

### **H.R. 5400**

**A bill to authorize the President of the United States to agree to certain amendments to the Agreement between the Government of the United States of America and the Government of the United Mexican States concerning the establishment of a Border Environment Cooperation Commission and a North American Development Bank, and for other purposes**

*As ordered reported by the House Committee on Financial Services  
on September 26, 2002*

H.R. 5400 would authorize the President to agree to a change in the North American Development Bank's (NADBank's) charter that would permit the bank to use its capital to make grants and below-market-rate loans to finance environmental infrastructure projects. The bill also would expand NADBank's regional focus to include the area in Mexico within 300 kilometers of the United States/Mexican border. CBO estimates that enacting the bill would not affect federal spending or receipts.

The NADBank was established as a multilateral development bank by an agreement between the governments of the United States and Mexico in 1993. It has a mandate to finance environmental infrastructure projects in the U.S./Mexican border region with a particular focus on potable water, wastewater treatment, municipal solid waste, and related projects. Capitalized by appropriations of \$225 million from each government, NADBank began operations in November 1994. In addition to the paid-in capital, NADBank has the authority to borrow an additional \$2.55 billion, an amount sufficient to support lending operations of up to \$3 billion.

In the eight years of its existence, however, NADBank has financed few projects. Of the \$450 million in appropriated funds for NADBank, 10 percent was earmarked for grant assistance in the two countries; the rest of the funds were invested in government and other income generating securities. As of March 31, 2001, the bank had outstanding loans of \$8 million—an amount slightly less than its annual operating expenses. H.R. 5400 would authorize the bank to make grants and below-market-rate loans. NADBank has announced plans to use the authority to provide \$80 million in grants for a water conservation fund and

\$50 million in below-market-rate loans. We estimate that expanding its regional focus would not greatly increase the demand for NADBank financing. Given the relative inactivity of the bank and the fact that it has no outstanding debt, CBO estimates that using its capital base in this manner would likely have no impact on its other financing operations or credit rating.

H.R. 5400 contains no intergovernmental or private-sector mandates as defined by the Unfunded Mandates Reform Act and would impose no costs on state, local, or tribal governments.

The CBO staff contact is Joseph C. Whitehill. This estimate was approved by Peter H. Fontaine, Deputy Assistant Director for Budget Analysis.